



**CALIFORNIA STATE
PUBLIC WORKS BOARD**

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ NINTH FLOOR ■ SACRAMENTO CA ■ 95814-3706 ■ (916) 445-9694

STATE PUBLIC WORKS BOARD

September 5, 2012

MINUTES

PRESENT:

Mr. Pedro Reyes, Chief Deputy Director, Policy, Department of Finance
Mr. Esteban Almanza, Chief Deputy Director, Department of General Services
Mr. Rick Land, Chief Deputy Director, Department of Transportation
Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office
Mr. Francisco Lujano, Director, Securities Management, State Treasurer's Office

STAFF PRESENT:

Greg Rogers, Administrative Secretary
Theresa Gunn, Assistant Administrative Secretary
Shelly Renner, Legal Counsel

CALL TO ORDER AND ROLL CALL:

Mr. Pedro Reyes, Chairperson of the Board and Chief Deputy Director of the Department of Finance called the meeting to order at 9:00 a.m. Mr. Greg Rogers, Administrative Secretary for the Board, called the roll. A quorum was established.

Mr. Reyes stated that the meeting was scheduled to authorize the Board's first bond sale of the fall and to consider adoption of a revised bond refunding policy. The only items for discussion at the meeting were the four bond items.

BOND ITEMS:

Mr. Rogers presented the Bond Items to the Board and informed the Board that Bond Items 1 through 3 for consideration were related to the Board's pending September Bond sale, and Bond Item #4 was related to the Board's refunding policy.

Mr. Rogers stated the three Bond items, if approved, would be priced the following week and close soon thereafter. The total bond issuance was estimated to be \$264.8 million and the proceeds would fund four California State University projects and refund two University of California projects.

Additionally, the Board was asked to approve and adopt three Resolutions, one for each series of bonds to be issued. Approval and adoption of the Resolutions would authorize the sale and issuance of the specified series of bonds of the State Public Works Board for the specified projects. Additionally the resolutions would approve the form of and authorize the execution of:

1. the stand-alone Indenture, a First Supplemental Indenture to incorporate the bonds into Series I Indenture pooled reserve fund;
2. the Supplemental Indentures numbered III, I, and 2 to the Board's Master Indenture;
3. the Site Leases, Facility Leases, and an amended Facility Lease;

4. the Continuing Disclosure Agreements;
5. a Bond Purchase Agreement;
6. a Preliminary Official Statement and an Official Statement; and
7. other related actions in connection with the issuance, sale and delivery of said revenue bonds.

BOND ITEM #1: If approved, would authorize the State Public Works Board 2012 Series D bonds to fund various California State University projects; specifically, the Art Center and Satellite Plant project located on the Bakersfield Campus, the Physical Education Replacement project located on the Maritime Academy Campus, and the Spartan Complex Renovation project located on the San Jose Campus, along with the 111th Supplemental Indenture to the Board's Master Indenture as well as other forms previously mentioned. The estimated PAR value of the 2012 Series D bonds was \$117 million, with a not to exceed PAR of \$142.4 million and a not to exceed true interest cost of 5.5 percent.

Staff recommended approval of Bond Item #1.

There were no questions or comments from the Board or the public.

Mr. Rogers called a roll to approve Bond Item #1:

AYES

Mr. Pedro Reyes, Chief Deputy Director, Policy, Department of Finance

Mr. Esteban Almanza, Chief Deputy Director, Department of General Services

Mr. Rick Land, Chief Deputy Director, Department of Transportation

Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office

Mr. Francisco Lujano, Director, Securities Management, State Treasurer's Office

NOS

None

Bond Item #1 was approved by a 5-0 vote.

BOND ITEM #2: If approved, would authorize the State Public Works Board 2012 Series E bonds to fund the California State University, East Bay, Warren Hall Replacement Building project through the use of the asset transfer financing structure by issuing bonds for the Valley Business Technology Center and Student Services Replacement Building, both located on the East Bay Campus, and would authorize the execution of the First Supplemental Indenture to the Board's Master Indenture, as well as other forms of leases and agreements previously mentioned. The estimated PAR value of the 2012 Series E bonds to be authorized was \$52.3 million, with a not to exceed PAR of \$61.4 million and a not to exceed true interest cost of 5.5 percent.

Staff recommended approval of Bond Item #2.

Mr. Jim Lombard inquired about the purpose of an asset transfer. Ms. Theresa Gunn answered the asset transfer was necessary because the project wasn't ready for construction and therefore, bonds couldn't be sold yet. Mr. Reyes expressed disappointment but understanding in replacing a building that is less than four years old.

There were no further questions or comments from the Board or the public.

Mr. Rogers called a roll to approve Bond Item #2:

AYES

Mr. Pedro Reyes, Chief Deputy Director, Policy, Department of Finance

Mr. Esteban Almanza, Chief Deputy Director, Department of General Services

Mr. Rick Land, Chief Deputy Director, Department of Transportation

Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office

Mr. Francisco Lujano, Director, Securities Management, State Treasurer's Office

NOS

None

Bond Item #2 was approved by a 5-0 vote.

BOND ITEM #3: If approved, would authorize the State Public Works Board 2012 Series F bonds to refund all or part of the Board's outstanding 2002 Series A bonds for the University of California's UCLA Replacement Hospitals in Los Angeles County, and would approve and authorize the execution of the Second Supplemental Indenture to the Board's Master Indenture, as well as other forms of leases and agreements previously mentioned. The estimated PAR value of the 2012 Series F bonds to be authorized was \$110.3 million, and the estimated PAR amount for refunding bonds was \$95.6 million. The refunding would save approximately \$1.3 to \$1.6 million per year, given the current economic environment and expected interest rates.

Staff recommended approval of Bond Item #3.

There were no questions or comments from the Board or the public.

Mr. Rogers called a roll to approve Bond Item #3:

AYES

Mr. Pedro Reyes, Chief Deputy Director, Policy, Department of Finance

Mr. Esteban Almanza, Chief Deputy Director, Department of General Services

Mr. Rick Land, Chief Deputy Director, Department of Transportation

Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office

Mr. Francisco Lujano, Director, Securities Management, State Treasurer's Office

NOS

None

Bond Item #3 was approved by a 5-0 vote.

BOND ITEM #4: If approved, would adopt a revised policy for refunding the Board's outstanding bonds.

Mr. Rogers stated pursuant to Government Code 15840, the Board has the legal authority to refund any of its outstanding bonds. The current refunding policy, modeled after the GO Bond program refunding policy, was last amended by the Board on March 2001 and authorizes the refunding if a 3 percent net present value savings of the PAR amount of bonds to be refunded can be achieved on a series by series basis, with specified exceptions. The current policy required a maturity-by-maturity analysis with the acknowledgment that some maturities may achieve a lesser savings, and to the extent they fell into a specified exception, could be refunded. The current policy also allowed for refunding where there are no debt service savings, if it results in a refunding of a whole issue or where the Board determines such a refunding would produce other administrative benefits for the Board's bond programs.

The proposed policy is very similar to the current policy, except in regards to how the 3 percent net present value savings is determined. Under the proposed policy, the 3 percent net present value analysis would be performed on a bond series basis versus a maturity-by-maturity analysis within a bond series. This change would allow additional maturities to be refunded that may produce some level of savings but not the 3 percent savings required under the current policy, as long as the refunding achieves at least 3 percent savings. The proposed policy is similar to other public entities refunding policies.

Typically, a refunding is not considered unless the estimated net present value savings exceeded 3 percent by a fair margin in order to account for market movement. However, under the current policy, if there was a maturity within a series that was below 3 percent, the Board may not be able to refund that individual maturity, even though it would produce some level of savings, and the overall savings by series would still exceed 3 percent.

Staff recommended approval of Bond Item #4.

Mr. Reyes asked if the Board's current refunding policy last amended in 2004 was to align the policy with the GO Bond Refunding Policy, and are we now deviating from the GO Bond Refunding Policy? Mr. Rogers answered that it is a minor deviation and will allow the Board to better manage its refundings. Mr. Reyes asked if the current policy of 3 percent would still come to the Board for Board approval, or would it be an administrative function? Mr. Rogers answered the Board would approve the refunding policy, and the pricing and sale of the bonds would have to meet the Board's policy, and the 3 percent would have to be achieved or the bonds would not be refunded. Mr. Reyes inquired about the difference between keeping the current 3 percent policy versus the proposed policy on a case-by-case basis? Mr. Rogers answered that operating under the current refunding policy could cause the Board to lose out on potential refunding maturities; however, the proposed refunding policy provides staff the authority to potentially refund maturities it could not refund under the current policy, primarily those maturities that do not fall within a specified exception under the current policy. Ms. Gunn noted the proposed refunding policy gives staff flexibility when entering into a bond sale. Mr. Rogers added when reviewing refunding opportunities, staff chooses the refundings that provides the greatest amount of savings to the state. Mr. Jim Lombard asked if staff would still complete a maturity-by-maturity analysis. Mr. Rogers agreed that a maturity-by-maturity analysis would still be completed.

There were no further questions or comments from the Board or the public.

Mr. Rogers called a roll to approve Bond Item #4:

AYES

Mr. Pedro Reyes, Chief Deputy Director, Policy, Department of Finance

Mr. Esteban Almanza, Chief Deputy Director, Department of General Services

Mr. Rick Land, Chief Deputy Director, Department of Transportation

Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office

Mr. Francisco Lujano, Director, Securities Management, State Treasurer's Office

NOS

None

Bond Item #4 was approved by a 5-0 vote.

NEXT MEETING:

Mr. Reyes stated the next Public Works Board meeting is scheduled for **Wednesday, September 11, 2012, at 10:00 a.m., at the State Capitol, in Room 113.**

The meeting was adjourned at 9:20 a.m.